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SUBJ: UNDP- 19 TH GOVERNING COUNCIL, ITEM 16(A), ESTIMATE OF
RESOURCES AND PROGRAM COSTS AND RELATED PROPOSALS

1. BUDGETARY AND FINANCE COMMITTEE JANUARY 13 CONSIDERED ADMINISTRATOR'S REPORT ON (A) CURRENT ESTIMATE OF RESOURCES AND PROGRAM COSTS AND FINANCIAL OUTLOOK FOR 172-1976, (B) ACTUAL COSTS OF EXPERTS AS CONTRASTED WITH STANDARD COSTS USED FOR PLANNING PURPOSES AND AS CHARGE AGAINST INDICATIVE PLANNING FIGURES, (C) WAIVER OF ASSESSED PROGRAM COSTS OWED BY EQUATORIAL GUINEA, (D) AUTHORITY FOR ADMINISTRATOR IN HARDSHIP CASES TO WAIVE ASSESSED PROGRAM COSTS OWED BY COUNTRIES FOR PERIOD PRIOR TO 1972, AND (E) EFFORTS OF WEALTHIER RECIPIENTS TO ACHIEVE NET CONTRIBUTOR STATUS.

2. COMMITTEE MEMBER GAVE GENERAL SUPPORT TO WAIVER ASSESSED PROGRAM COSTS FOR EQUATORIAL GUINEA AND CONFIRMATION OF ADMINISTRATOR'S AUTHORITY TO WAIVE PROGRAM COSTS IN HARDSHIP CASES FOR PERIOD PRIOR TO 1972 (WHICH WAS UNCLEAR IN UNDP REGULATIONS AND RELEVANT COUNCIL AND GA DECISIONS). CONTINUED EFFORTS TO ENCOURAGE NET CONTRIBUTOR STATUS ALSO SUPPORTED.

3. QUESTION OF COSTS OF EXPERTS AROUSED CONSIDERABLE CONTROVERSY, HOWEVER. PROBLEM THAT \$36,000 STANDARD COSTS FIGURE FOR EXPERTS USED FOR PLANNING PURPOSES AND AS CHARGE AGAINST INDICATIVE PLANNING FIGURES (IPF'S) WAS EXPECTED TO REPRESENT AVERAGE ACUTAL COST OF
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EXPERTS OVER FIVER YEAR PERIOD 1972-1976. EXPERT VARIANCE ACCOUNT

WAS ESTABLISHED TO ABSORB SURPLUS IN FIRST HALF OF PERIOD AND PAY DEFICIT IN SECOND HALF. IN FACT, ACTUAL COST OF EXPERTS EXCEEDED STANDARD COST IN SECOND YEAR OF PERIOD (1973), RESULTING IN PROJECTED DEFICIT OF \$143 MILLION IN EXPERT VARIANCE ACCOUNT BY END OF 1976. ADMINISTRATOR PROPOSED TO REDUCE PART OF DEFICIT BY RAISING STANDARD COST TO \$36,000 EFFECTIVE JANUARY 1, 1975. REMAINDER OF DEFICIT WOULD BE OFFSET BY PLANNING SURPLUS OF \$58.8 MILLION CURRENTLY PROJECTED FOR 1972-1976 PERIOD.

4. WHILE SOME MEMBERS OF COUNCIL SUPPORTED ADMINISTRATOR'S RECOMMENDATION IN TOTAL, MANY OBJECTED TO UTILIZATION OF PLANNING SURPLUS SINCE (1) SURPLUS WOULD BE AFFECTED BY EFFECTS OF INFLATION ON PROGRAM OVERHEAD AND BY LEVEL OF 1976 CONTRIBUTIONS AND, THEREFORE, MIGHT NOT REACH CURRENTLY PROJECTED LEVEL, AND (2) PAYMENT FOR EXPERTS OUTSIDE OF IPF'S MIGHT NOT BE EQUITABLE TO ALL COUNTRIES. ALTERNATIVE OF RAISING STANDARD COST TO LEVEL SUFFICIENT TO MAKE UP ENTIRE DEFICIT WAS OBJECTED TO AS: (1) PUTTING UNDUE PRESSURE ON IPF'S AND POTENTIALLY REDUCING PROGRAM DELIVERY AND (2) INEQUITABLE TO COUNTRIES WITH PROJECT IMPLEMENTATION CONCENTRATED IN LATTER YEARS OF 1972-1976 PERIOD.

5. IN DRAFT DECISION PREPARED BY COMMITTEE PRESIDENT AT END OF DISCUSSION, COMMITTEE WOULD RECOMMEND TO GOVERNING COUNCIL THAT IT (1) TAKE NOTE OF ADMINISTRATOR'S INTENTION TO RAISE STANDARD COST FOR CALCULATION OF COST OF EXPERT SERVICES TO \$36,000 EFFECTIVE FROM JANUARY 1, 1975, (2) CONTINUE CONSIDERATION OF MEANS TO OFFSET DEFICIT IN EXPERT VARIANCE ACCOUNT AT 20 TH SESSION, (3) APPROVE WAIVER OF ASSESSED PROGRAM COSTS FOR EQUATORIAL GUINEA, AND (4) CONFIRM THAT ADMINISTRATOR HAS AUTHORITY TO GRANT WAIVERS OF ASSESSED PROGRAM COSTS FOR PERIOD PRIOR TO 1977.

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